

Message Text

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C O N F I D E N T I A L FREETOWN 0344

E.O. 11652: GDS

TAGS: EFIN, 38,9, EINV, SL, US

SUBJECT: BETHSTEEL VIEWS ON STATUS OF BETHSTEEL-GOSL NEGOTIATIONS
ON RUTILE AND IRON ORE

REF: FREETOWN 0122

1. I MET FEB 21 WITH BETHSTEEL DELEGATION CONSISTING OF EUGENE BUCHANAN, ROBERT SLEEMAN, ART ZIMMERMAN AND SIERRA RUTILE (SRL) RESIDENT VICE PRESIDENT DAVID FRASER. BUCHANAN SAID DELEGATION HAD NOT ENGAGED IN SUBSTANTIVE DISCUSSIONS WITH GOSL BUT WOULD LEAVE WITH GOSL A CLEARLY DEFINED, WRITTEN, QUOTE ROCK BOTTOM UNQUOTE PROPOSAL OF TERMS UNDER WHICH SRL WOULD BRING GBANGBATOK RUTILE MINE INTO PRODUCTION. TIME COMMITMENTS OF BETHSTEEL OFFICIALS ELSEWHERE AND ABSENCE PRESIDENT STEVENS WILL PRECLUDE RETURN FREETOWN FOR NEGOTIATIONS BEFORE EARLY APRIL. BETHSTEEL OFFICIALS WOULD NOT NEGOTIATE IN SIERRA LEONE WHEN STEVENS WAS OUT OF COUNTRY.

2. ELABORATING ON STATEMENT THAT BETHSTEEL PROPOSAL REPRESENTED "ROCK BOTTOM" POSITION, BUCHANAN SAID SRL RUTILE OPERATION, IN FACT ALL MINING OPERATIONS, PERIPHERAL TO BETHSTEEL'S PRIMARY CORPORATE EMPHASIS ON PRODUCTION OF STEEL. DURING A PERIOD OF CAPITAL SHORTAGE, IT WOULD BE DIFFICULT TO JUSTIFY CONTINUED EXPENDITURE ON SRL PROJECT WITHOUT QUOTE DEFINITE READING UNQUOTE OF GOSL INTENTIONS.

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3. TURNING TO IRON ORE, BUCHANAN SAID BETHSTEEL HAD RECEIVED NO REACTION TO MEMORANDUM SUBMITTED TO GOVT IN DECEMBER PROPOSING TWO YEAR BETHSTEEL OPTION TO PURCHASE ASSETS OF DELCO MINE AT MARAMPA AND BETHSTEEL OPTION TO EXPLORE AND EXPLOIT THE TONKOLILI LEASE AREA NOW HELD BY DELCO. BETHSTEEL'S POSITION ON GOVT PARTICIPATION IN IRON ORE VENTURE IS LESS FLEXIBLE THAN IN THE RUTILE PROJECT BECAUSE OF OARGER SIZE OF REQUIRED INITIAL INVESTMENT AND THE NECESSITY OF KEEPING IRON ORE AGREEMENTS ON PAR WITH TERMS OF IRON ORE CONCESSIONS IN LIBERIA. BETHSTEEL WOULD NOT BE INTERESTED IN TAKING OVER DELCO'S MARAMPA MINE, WHICH HAS ESTIMATED MAXIMUM CONTINUED LIFE OF 15 YEARS, UNLESS ASSURED OF ACCESS TO TONKOLILI DEPOSIT. BETHSTEEL PREPARED TO AGREE TO REASONABLE TIMETABLE FOR ENDING EXPLORATION AND BEGINNING EXPLOITATION OF TONKOLILI DEPOSIT AND BAGLA DEPOSIT NEAR LIBERIAN BORDER TO ALLEVIATE POSSIBLE GOSL FEARS THAT BETHSTEEL COULD "LOCK UP" SIERRA LEONE'S KNOWN IRON ORE DEPOSITS AND THEN FAIL TO DEVELOP THEM AT A PACE SATISFACTORY TO GOSL.

4. BUCHANAN INDICATED THAT PROGRESS IN IRON ORE DISCUSSIONS UNRELATED TO RUTILE VENTURE. ALTHOUGH POINT JOINING TWO WAS GENERAL GOSL MINING POLICY, EITHER PROJECT COULD MOVE FORWARD WITHOUT THE OTHER.

5. IN CONCLUSION, BUCHANAN SAID GOSL HAD OFFERED NO INDICATION OF ITS POSITION BEYOND GENERALITIES OF LONG STANDING GOSL POLICY TO EVENTUALLY OBTAIN 51 PCT EQUITY IN ALL MINING VENTURES. LACKING MORE SPECIFIC STATEMENT OF GOSL POLICY, BETHSTEEL WOULD NOT LIKELY BE WILLING OR ABLE TO RAISE CAPITAL REQUIRED FOR RUTILE OR IRON ORE VENTURES IN SIERRA LEONE.
SAMUELS

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